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**STOP WHINING AND MAKE THE BEST OF IT: A CROSS-NATIONAL
COMPARISON OF RESPONSES TO REGIONAL DISADVANTAGE IN THE WINE
INDUSTRY**

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Stop Whining and Make the Best of It:
A Cross-National Comparison of Responses to Regional Disadvantage in the Wine Industry

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Abstract

Our cross-national field study of wine entrepreneurship in the “wrong” places provides some redress to the focus of the “regional advantage” literature on places that have already won and on the firms that benefit from “clusters” and other centers of industry advantage. Regional “disadvantage” is at best a shadowy afterthought to this literature. By poking around in these shadows, we help to synthesize and extend the incipient yet burgeoning literature on entrepreneurial “resourcefulness” and we contribute to the developing body of insights and theory pertinent to the numerous but often ignored firms and startups that mostly need to worry about how they will compete at all now if they are ever to have of chance of “winning” in the future. The core of our findings suggests that understandable – though contested – *processes of ingenuity* underlie entrepreneurial responses to regional disadvantage. Because we study entrepreneurship that from many angles simply does not make sense, we are also able to proffer a novel perspective on entrepreneurial sensemaking.

Keywords

entrepreneurship, resourcefulness, regional disadvantage

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The global division of labor has long been understood as shaped by patterns of regional advantage and disadvantage rooted in both sociopolitical and physical geography (Friedman, 2005; Porter, 1990). Consistent with these insights, over the last quarter century, a proliferation of research – across several disciplines – has explored characteristics and processes of “regional advantage” in competitive industry dynamics (Cook, 2003; Saxenian, 1994). This work has demonstrated that the gathering of human, social and financial capital, the specialization and strengthening of supply chains and branded perceptions of specific areas as good sources for particular products can be reinforced through virtuous cycles that result in advantageous regional “clusters” of resources and capabilities. In some cases, we observe the “Matthew Effect” (Merton, 1968). That is – at least for a while – the rich get richer and the poor get poorer.

Across many industries characterized by centers of regional advantage, however, much of the industry and entrepreneurial activity nonetheless takes place in less advantaged areas. The existing body of literature has treated relatively disadvantaged regions mostly as a less fortunate backdrop to advantaged regions. It tells us very little about how firms in industries characterized by such centers of regional advantage but operating outside of these centers might respond to – and attempt to overcome – the challenges of being in the “wrong place.” In this field study of wine entrepreneurs operating in the wrong place on two continents, we explore patterns in the emergence using theories of resourcefulness.

The global wine industry is characterized by strong regional advantages. A handful of regions are marked by distinctive characteristics – both institutional and physical – that provide them with competitive benefits. Tastes in wine are highly institutionalized, with deeply socially constructed, objectified and reified preferences for what constitutes “good wine” supported by extraordinarily complex and conservative sets of cultural values and by educational, regulatory, producer and distributor organizations. These values are closely tied, in the eyes of consumers and other stakeholders, to specific regions “known” to produce good wine. In addition, geography, overall climate and variability in weather patterns have a profound influence on what types of grapes can be grown and on the characteristics and flavors of the grapes that are produced. Together, these intertwined institutional and physical sources make the wine industry a setting in which regional advantages are striking and strong.

Nonetheless, in many regions of the world, there is a proliferation of wine entrepreneurs in areas that are either little known for wine production or even well known as producers of what is perceived to be “bad wine.” Our study explores the decade long and ongoing attempts of wine producers in two relatively disadvantaged wine regions – North Carolina, USA and Queensland, Australia – to find ways to deal with and overcome some of the disadvantages they face. Through cross case analysis of wineries in the US and Australia based on observations and interviews with entrepreneurs and other stakeholders, we discovered and developed theory to explain several distinctive patterns of behavior that

demonstrate ingenuity in overcoming regional disadvantage. The preliminary findings reported here focus on common behavior patterns across the two national contexts.

Our primary theoretical contributions are to the emerging body of scholarship on entrepreneurial and organizational “resourcefulness,” to our understanding of the social construction of entrepreneurial opportunity, and to broader notions of entrepreneurial “sensemaking.” We define resourcefulness as making productive use of limited resources and constrained environments (Powell, 2011) and include in the body of relevant literature work on a variety of topics, such as “bricolage” (Baker & Nelson, 2005; Garud & Karnoe, 2003), “bootstrapping” (Bhidé, 2000; Winborg & Landstrom, 2001), “improvisation” (Baker, Miner, & Eesley, 2003), “effectuation” (Sarasvathy, 2001), “ingenuity” (Homer-Dixon, 1995) as well as work on related issues such as the role of “slack” in performance (Cyert & March, 1963; George, 2005). While virtually all relevant prior work has focused on “constrained environments” in terms of ordinary “input” resources, we are able to observe and examine responses to a much richer array of environmental disadvantages, including intractable physical and technical disadvantages, institutional disadvantages, and their intersection.

Building on this, we develop theory that contributes to our understanding of the role of opportunity, and in particular the stream of work on the “discovery” and “creation” or “construction” of opportunities. Using a very general definition of opportunity as any “future situation that is both desirable and feasible” (Stevenson & Jarillo, 1990), we show that the opportunities were *constructed* through contingent, contested and often haphazard work. The opportunity process, however, commonly also involved moments of discovery, which, if viewed in cross-section, might appear to be the whole story.

Finally, a “critical” literature suggests that much of what entrepreneurs do is simply senseless: either foolhardy or even economically counterproductive (Baumol, 1990; Shane, 2008). In many ways, it simply does not “make sense” to make wine for sale in many of the places where it is made. Entrepreneurs are likely not putting their human capital to its most economically productive use, and even consumers who buy much of this wine are probably missing the opportunity to buy better wine more cheaply elsewhere. We develop a broad and robust theory of entrepreneurial sensemaking (McMullen & Shepherd, 2006; Weick, 1995) that includes making sense of the *work and process* of entrepreneurship in the face of constraints, making sense of the *product* that comes from the “wrong place” in interaction with consumers and other stakeholders, and making sense of the *environment* in a manner that – generally gradually – tests and challenges which constraints and disadvantages are really intractable and which can be reconstructed.

Theoretical Background

In this section, we briefly describe the primary bodies of theory against which we continue to orient our research.

Institutional Disadvantages

Some regional advantages are based on institutional factors. A region may have established branding that creates an automatic reputational advantage. For example, Silicon Valley is a brand that represents technological prowess (Miller, Hancock, & Rowen, 2000) and the Champagne region of France is a regional brand that signals excellence in sparkling wines (Beverland, 2006). Such regional branding can institutionalize respect and confidence (or lack thereof) among both customers and other stakeholders. Customer, distributor and third-party assessors' expectations of quality – often enhanced and signaled by regulatory activities – can buttress such regional branding. Government and other institutions may provide active support through research and development and training activities (Aldrich, 1979; Kobessi, 2009). Established regions may be able to leverage significant resources to influence additional policy or regulatory changes to bring benefits to their regions. Branding, enforcement of quality standards and governmental support combine to create and enhance regional advantages.

Existing theory regarding institutional elements that underlie regional advantage can be extended to inform our understanding of the challenges of regional *disadvantage*. For example, in the face of powerful regional brands, isolated firms may find it particularly difficult to compete in terms of consumer perceptions of quality against the safer bet on products of well-known regions. Firms outside of advantaged regions are also less likely to enjoy the benefits of a regulatory infrastructure or government interventions to support the growth of their firms.

Physical Disadvantages

Regional advantages often develop around physical access to both product and labor markets (Bresnahan, Gambardella, & Saxenian, 2001; Porter, 1980). Firms in geographies remote from urban population centers may be at a disadvantage, however, in gaining the attention of financiers to build infrastructure or support capital intensive research and development and it may be difficult for firms to attract critical talent to remote areas.

The literature on regional advantage has paid surprisingly little attention to core geographic issues of geology and climate. With regard to agriculturally-based industries, variations in soil, rainfall, ambient temperature and sunshine as well as the prevalence of extreme weather such as flooding and freezing can strongly shape relative advantage or disadvantage above and beyond any established institutional characteristics (Diamond, 2005).

Interaction of Institutional and Physical Factors

Many or most advantages and disadvantages, express a combination of institutional and physical factors. Despite the central importance of patterns of sunshine, rainfall and temperature to food production, a substantial portion of the world's agriculture takes place in regions that have been made fertile by scientific advance and investment in new seed varieties, pesticides, herbicides, and “progressive” farming techniques. Reading the regional advantage literature as we developed our plans to study wine entrepreneurship in the “wrong

place,” we became sensitized to this notion of humans *overcoming nature* as a potential theme.

Resourcefulness and Overcoming Constraints

The notion of overcoming nature bears – in our reading – a close resemblance to much of the recent literature on entrepreneurial and organizational resourcefulness. The resourcefulness literature considers the possibility and processes of overcoming contextual and other constraints that would seem to limit severely the presence of entrepreneurial opportunities and entrepreneurs’ capacities to construct and exploit them. Note for example, Baker & Nelson (2005) argue that entrepreneurs sometimes “create” resources from nothing and that this generates opportunities that otherwise simply do not exist. The incorporation of institutional and physical disadvantage, provides a rich chance to observe and to theorize responses to a “harder” and in some ways more complex class of constraints than has typically been considered in what we have labeled the resourcefulness literature.

Context and Methodology

Our goal in this study was to observe and understand entrepreneurs’ and other stakeholders’ behavioral responses to disadvantage, focusing on patterns and variations in resourcefulness. We therefore selected geographies that seemed to demonstrate both institutional and physical disadvantages in an industry characterized by a strong pattern of regional advantage. The viticulture regions in North Carolina, USA and Queensland, Australia are particularly suitable contexts for studying regional disadvantages for two reasons. First, wine consumers are highly aware of which branded regions have a reputation for quality products and this expectation of good wine does not extend to either North Carolina (NC) or Queensland (QLD). Second, neither North Carolina nor Queensland is physically located in a “traditional” agricultural region for growing grapes for wine. Strikingly, however, both North Carolina and Queensland entrepreneurs have shown deep – though inconsistent – levels of ingenuity and both areas have experienced tremendous growth in wine production over the past ten years. Therefore, our comparative study of these two regions allows us to explore our questions of patterns of entrepreneurial resourcefulness in response to regional disadvantage.

We conducted a thorough review of the themes of the regional advantage literature and designed an inductive study to generate grounded theory (Glaser & Strauss, 1967) and continue to iterate between our data and the literature. We theoretically sampled four initial wineries in each state. We generated case reports for each firm based on primary data collected through observations and interviews of the founding entrepreneurs of the firms, interviews with additional stakeholders of the industry such as government officials and scientists, and also secondary data available about each firm. Our interviews with the entrepreneurs and stakeholders are evolved from an unstructured and exploratory approach to a semi-structured questionnaire to supplement our interviews across all cases. We engaged in cross-case comparisons (Eisenhardt, 1989; Yin, 2009) of these case reports to discover patterns and variations among the firms and the behaviors to overcome the regional disadvantage.

Our theoretical sensitivities (Glaser, 1978) have evolved from our initial approach to the study. We began our project focused on human capital resources of the firms. In particular, we anticipated that human capital would be a primary source of regional disadvantage among remote wineries, and that human capital bricolage would be a primary response (Baker, Pollock, & Sapienza, 2010; Banerjee, 2009). During early interviews, however, we found this was not the case and – based on the tenets of grounded theory (Glaser & Strauss, 1967) – we continued to iterate between the literature and our data and as a result, we broadened our study to embrace a broader variety of disadvantages and responses.

Our initial fieldwork identified three important levels at which responses to disadvantage were taking place: individual firms, attempted “exclusive” groups of area firms, and regulatory bodies. Although we have observed ingenious and resourceful decisions and behaviors at each of these levels, we have also observed conflict and contradictions between different players and across the levels. We have therefore expanded our study to encompass a broader range of participants than we originally intended to include the behaviors of wine entrepreneurs, local growers, winemaker and related trade groups, banks and investors, wine wholesalers and retailers and government official at firm, regional and state levels.

Historical Contexts

While wineries are located in all fifty states, wine from the United States is typically associated with regions of California, where nearly 90% of the country’s volume is produced (wineindustry.org, 2008). The most well-known type of wine marketed around the world is generally produced from “vinifera” grape varieties. In North Carolina, “muscadine” grapes have long been used in wine production. Prohibition destroyed the industry by early in the 1920s and its resurgence did not really begin until near the end of the twentieth century (ncommerce.com, 2011). Since 2001, the number of wineries in North Carolina has nearly quadrupled and has recently surpassed 100 (ncommerce.com, 2011). Wines produced in the state come from two types of grapes: native muscadine and European-style vinifera.

While all six states and two mainland territories of Australia grow grapes and produce wine, the primary production areas are in the southeast quarter of the Australian states: South Australia, New South Wales and Victoria (dfat.gov.au, 2008). The first wineries in Queensland were established in 1860’s. The late 60’s when Ballandean Estate was established in the Granite Belt. Its focus on bulk red wine and the decision to make it a large commercial venture highlighted the potential of growth in the region. The Queensland wine industry has grown significantly to cover approximately 3,700 acres throughout the state with 180 wineries. The majority of this growth has occurred during the past 10 years.

Results

We report on several distinct patterns in our data and our early findings suggest a strong set of parallel and consistent responses to regional disadvantages among firms and between the US and Australia. In the early analyses presented here, we concentrate on the common themes across the continents.

Themes of Ingenuity to Overcome Institutional Disadvantages

We observed several patterns of attempts to overcome institutional factors -- brand recognition, quality of products and government support -- associated with regional disadvantage. When discussing the greatest competitive factor he faces, one entrepreneur replied, "Ignorance as to how good QLD wine is...we don't market inter-state (across Australia) because of the ignorance level." Similarly, an industry stakeholder offered, "If North Carolina is a brand, then brand recognition is an issue. You know, it's not Napa (in California, USA)." Firms face disadvantages of a state reputation that precedes them in both locations. In North Carolina, the first question often asked of the wineries is, "Do you have any muscadine wine? Because NC is muscadine country."

There are a variety of attempts among entrepreneurs in the respective areas to build brand recognition and enter local food markets to overcome disadvantage. Individual firms have started distributing newsletters and updates and creating "wine clubs." One QLD firm has established a membership for the winery, with automatic distribution of the product to individual consumers through annual charges to the customer's credit card. Entry into food markets is gaining popularity and one QLD entrepreneur described his tactic toward competing against wine from advantaged regions by saying, "Being the owner, I have an advantage when I am marketing at a restaurant that I'm not just another sales rep from a large company down south; I'm the actual owner with a lot of passion about what I'm doing." Another entrepreneur offered, "Any serious restaurateur has at least one QLD wine on their list now, which is great to see."

Among groups of winemakers, we have observed efforts to band together in attempts to market and brand the region positively, conflicted by attempts to enforce standards for quality and "authenticity" and to "exclude" producers who do not live up to the de facto standard of the marketing group. A major branding effort we observed is the attempt to create designated regions within each state, which is a proven strategy of advantaged regions. In the US, the federal government grants regional designations for distinctive climate and geographical areas, called American Viticulture Areas (AVA's). NC has established three and the most recent one was approved in 2009. Every person with whom we spoke agreed that the advantage of these regions is for one thing: "It's purely marketing" offered one stakeholder and then further explained, "In economic terms, there's an implication. The value, theoretically, can go up because it's from a limited geographic region." A fourth AVA is going through the application process, however a majority of the wineries are still located outside of these AVA's. QLD has established ten "regions" within the state. The general assumption is that the AVA's and designated regions create brand recognition among consumers.

The AVA or regional designation typically takes some time to develop. A common precursor to an official region, as in the case of at least one NC AVA, is the designation of a tourist "wine trail", which has also occurred in QLD. While explaining new tactics for attracting tourists, one QLD entrepreneur proudly described free advertising he gained as a result of this new trail. His region has embraced and attempted to celebrate the perceived

oddness of their wines and thereby attempted to turn what might otherwise be seen as a disadvantage to their favor.

A common pattern we observed is the attempt to obscure and minimize the role of institutionalized standards and tastes by producing “obscure wines” for which most people lack a sense of how it “should taste.” We saw similar experimentation with varietals, blending, mixed production methods (between tradition and experimentation), packaging and promotion and it is also occurring at a variable pace and with varying levels of acceptance. One QLD entrepreneur described, “Putting those alternative varietals in, it just gives the tourists and the people that come to the cellar door (direct distribution from the winery) a different taste sensation, I guess. Just something different to look at rather than your standards that used to be around.” One primary example is “a Chamborcin or Chardonnay instead of a Chardonnay. Even though the varietals are kinda parallel, there are different challenges (for average consumer recognition).” A QLD entrepreneur expressed a lack of confidence about directly competing with the classic wine taste – and brand – by saying, “If we were another Pinot Noir or a Cabernet, we’d be finding it very difficult (to compete), regardless of how good we were.” Entrepreneurs continue to experiment with blends and production methods in attempts to create consumer acceptance of distinctive tastes.

Entrepreneurs only interested in producing the institutionalized “good wine”, however, take offense with the notion of catering to the average consumer expectations and attempts to create obscure wines and actively contest this approach by other entrepreneurs. One NC entrepreneur declared, “I will not be everything to everybody. If people want to drink grown-up wine (by which he means wines from *vinifera* grapes), then this is the place for them.” In some cases, these winemakers have attempted to exclude what they see as lesser firms from the wine maps used to market their region to tourists. One entrepreneur discussed how the muscadine wines create such a disadvantage for his efforts that he said, “I wish there was another name for what *they* (the muscadine wine producers) make, something other than “wine.” On the other hand, some are giving in to varied consumer demands by carrying both *vinifera* and muscadine wines. For example, another entrepreneur described disappointing so many customers at his tasting room by not carrying muscadine and other expected sweet wines of NC that he finally admitted, “And now we even make a *strawberry* wine” as though he still had a hard time believing it himself. There appears to be a rising tension between aspirations for making wine to compete with established “good wines” and creating a *new* taste of “good wine.”

Local governments in both states have been proactive in promoting tourism among the wineries, although levels of financial support vary. In NC, a variety of government agencies have developed an extensive website to promote the industry, established a consistent set of billboards and signage and a growers association has been partially funded by the government through excise taxes. In QLD, tourism has been promoted by the government, although wineries still have primary responsibility for communication in their attempts to overcome disadvantage. One QLD entrepreneur noted, “If you’re depending on wine tourism and people coming to your cellar doors, then you’ve got to liaise very well with your tourist operators and your tourist marketing...because that raises the profile of the area and then it raises the profile of your wines.” While tourism support has helped tremendously

with the industry, some stakeholders have mixed perceptions about the challenges of gaining substantial support from the government. One QLD entrepreneur described the support of the government on a broader scale by saying, “there’s been no direct financial payments...they’re more concerned with the big picture...but I can understand...you can’t just keep throwing money at an industry. It has to be self-sustainable.” When we discussed levels of support from the government, one NC entrepreneur attempted to offer a positive spin by saying, “They give a lot of information.” Another suggested, “They’ll put up more billboards” when asked about ongoing support from the government. Overall, and perhaps unsurprisingly, government officials seem to think they are doing a lot, while entrepreneurs think they should be doing more.

Also related to the government role in institutional disadvantage are issues of distribution. The NC government, unlike some other states, does not mandate the use a distributor. One entrepreneur recently decided to take a self-described “risky” route to pull distribution in-house and away from large distributors to preserve profit margins. That’s risky because...if it [the NC law] changes and everything has to go through a state-mandated distributor, we may have this huge sales channel that one day gets outlawed.” Entrepreneurs express disadvantages to handling these changes in policy and variations in government support and one offered, “the distributors work at very high levels of lobbying” and are able to influence legislation to their advantage. This appears – at least so far – to speak to another source of contestation among players with a common interest in overcoming regional disadvantage.

Themes of Ingenuity to overcome Physical disadvantages

We discovered a pattern of knowledge and expertise limitations across the study locations and oftentimes entrepreneurs were seeking resources from advantaged regions. One person described the background of the industry by saying, “As a new region, we have a lot of wine makers who may not have a lot of experience or skill. They come from other professions. They have passion and they’ve made pretty good homemade wine, but you have that variation in skill level that gives some variability [in the product].” Many in the areas are seeking resources and skilled professionals from the well-known grape regions of the world. When discussing things the industry could use to continue to grow, one NC entrepreneur said, “I think some skilled consultants in the industry that could advise. Knowledge is probably more the issue [rather than access to supplies and equipment]. The same is true on both sides of wine making and grape growing.”

Some entrepreneurs, however, attempted to use bricolage (Baker & Nelson, 2005) to overcome disadvantages. For example, one QLD entrepreneur said, “I was a computer programmer. Everything I’m skilled in now, I’ve had to self-teach.” Others are finding ways to engage friends in the industry that are willing to lend a hand. In some cases, this works to everyone’s advantage. In others, it can be a case of “the blind leading the blind” as one stakeholder described.

A common pattern of attempts to overcome the disadvantages of physical access to markets includes a variety of approaches to creating social capital. Examples – which we

view broadly under the umbrella of community building activities – include constructing “wine trails for tourists,” hosting special events at wineries and participating regularly in festivals and celebratory industry events. Wineries in NC often build “tasting rooms” to host passers-by during afternoon, evening and weekend hours and “cellar doors” are the name given to similar attempts in QLD; both are a primary means of revenue generation for many wineries. The trails help build a destination in the eyes of the consumer and some wineries are also building infrastructure for hosting events such as parties and weddings. As we discussed hosting events on-site –several entrepreneurs mentioned coordinating events with other wineries in the state, and not necessarily only with those in close proximity. Wineries accommodate the efforts of others. As one entrepreneur said, “We do that because we think that if it [attracting customers] helps one winery, it helps everyone in the industry.” Both NC and QLD entrepreneurs participate in festivals and industry events to try to meet others and gain information. Because of the remote nature of many of the wineries, one NC entrepreneur said, “We had 5 wineries in the region and didn’t even know it till we showed up at a festival.”

The regional advantages of well-known agricultural areas for grape crops present particular disadvantages for the NC and QLD areas attempting to enter the wine industry. One QLD entrepreneur noted, “There are various tricks you can play on Mother Nature, but it’s still a challenge. There’s different regions in the world that make different style of wine and it’s just about finding our wine style to match our climate and the perfect grape for our climate.” Though the due diligence varies, many of the farmers carefully chose locations based on geology and climate to support grape production, despite the industry-wide reputations that the whole area was deeply imperfect.

Unexpected events can cause significant damage to crops. QLD has experienced extensive flooding over the past year that has ruined major crops and one entrepreneur said, “It’s been a really bad two years for grape growing out here [due to flooding].” NC has experienced mild winters, which has failed to eradicate a common disease that has also ruined major crops. Flooding, hurricanes, late freezes and mild winters are climate conditions that are not suitable to grape production, but frequently occur in these states. This directly impacts the quality of the wines that can be produced by estate vineyards and the wineries purchasing and promoting wines from the respective states.

To overcome the variation in supply of high quality grapes, some wineries are also using blending techniques – described as truly a creative adventure – to use lower quality or cheaper grapes to supplement a limited supply of high quality fruit. Variation in fruit composition directly impacts the quality of the end product – the wine. Additional variations in supply have created tensions in establishing contracts between growers and wine makers. In some cases, the wineries would have no choice purchase poor quality fruit and in others, the vineyards would be forced to sell exceptional crops below “market value.” One entrepreneur shared, “In the end, the sticker is less important than the process. The sticker is not the end point. The end point is the quality of the wine in the bottle.” Establishing additional education about what “bad wine” tastes like and how “bad wine” can be produced – and subsequently avoided – is one idea that is floating around industry discussions.

The alternative to planning around the fluctuations in climate is attempting to control for the variations with science. We observed consistent messages of the importance of research and development for adapting traditional European varieties to unique climates – to overcome challenges and variations in temperatures, water levels, pests, and diseases. One major distinction between the US and Australia about the government is the level of planning for the industry and cohesive deployment efforts to enhance the quality of the products. The Australian government has deployed multiple long-range planning documents to support the industry, and particularly with research and development. An entrepreneur of an NC case study even noted with a tinge of jealousy, “One thing that’s known in the grape industry that Australia does well is R&D. The science behind Australian grape growing is just beautiful to watch.” State level funding for research and development in NC is rumored to be nearing an end. One entrepreneur complained, “We’re such a young industry that the state is way behind the times with legislation” to support the industry and remove impediments.

Discussion

In this study we set out to discover patterns and variations of behaviors among two new regions of the wine industry that have experienced significant growth over the past ten years – despite institutional and physical circumstances generally labeled as disadvantages. We are in the process of building case studies of eight wineries and myriad stakeholders and participants across North Carolina, USA and Queensland, Australia to explore cross-national similarities and differences between the “unlikely” wine regions. As we have discovered early patterns of creativity and ingenuity for overcoming regional disadvantage, we have expanded our study to include additional stakeholders of the industry to further develop our theory.

The regional advantages literature describes the benefits to firms and the growth of industries able to share critical factors such as talented human capital resources and exceptional brand equity due to institutional notoriety and physical proximity. Our early results build theory to complement and extend regional advantages literature by exploring how firms without advantages afforded to new firms or industries – in circumstances of regional *disadvantage* – attempt to grow and compete with the advantaged regions. We found that new ventures attempting to grow at the “other” region – and actually overcome the advantages established in the industry – are demonstrating creativity and ingenuity to overcome institutional and physical disadvantages. Wineries are attempting to overcome institutional expectations of “good wine” from around the world by building a brand for their respective wine region that signifies a distinctive taste and quality for the area. They are using a variety of creative marketing and tourism efforts, which in some cases are supported by the firms, growing regions and local governments. To overcome physical disadvantages, entrepreneurs are seeking resources from advantaged regions, using resources at hand and attempting to build social capital by creating communities among fellow nascent wineries for education and branding. The climates of these areas are also bringing to the forefront a need for research and development to compensate for variations in grape production, wine quality and adaptation to unique physical circumstances.

This research is still in progress and because our analysis is still very early, we are loathe to specify theoretical contributions at this point. Thus far we have focused on the

similarities and commonalities among the wineries across the two regions and we anticipate observing key differences as we continue our study. Our early observations suggest a fair amount of contestation and struggle among participants. The process of starting something new appears so far to be less “bloodless”, placid and cooperative than some studies of pioneering entrepreneurship have suggested (Aldrich & Fiol, 1994). We have also been surprised so far by the resourcefulness and resilience demonstrated by many of the entrepreneurs we have studied. Several entrepreneurs voiced the tongue-and-cheek tagline of the industry: the way to make a small fortune in the wine industry is to start with a large one. Many expressed that this was not a money-making business, particularly for the capital investment and risk of establishing a vineyard. Yet they continue to create ways to overcome their disadvantages and to harbor hopes of achieving great advantage, someday. To be blunt, many of these entrepreneurs keep going long after commonsense might have suggested that they retreat and live to fight another day.

Continued Research

We are developing grounded theory that describes ingenuity and resourcefulness among firms operating in areas of relative regional disadvantage in an industry characterized by strong centers of regional advantage. Scholars have increasingly recognized that much of the world’s social and commercial activity takes place under conditions of resource scarcity and disadvantage and that the behaviors that enable individual and firms to overcome such constraints are poorly understood. Based on our early findings, we anticipate that our work will make a number of contributions to the emerging body of research that studies ingenuity, entrepreneurship, innovation, resourcefulness and resilience in disadvantaged environments. In this manner it will also complement and extend some parts of the literature on regional advantage – by exploring the behaviors of firms in the “other” and “wrong” places.

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